

Message Text

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ACTION DLOS-09

INFO OCT-01 IO-14 ISO-00 AGR-10 OIC-02 AF-10 ARA-14
EA-09 EUR-12 NEA-10 ACDA-10 AID-05 CEA-01 CEQ-01
CG-00 CIAE-00 EPG-02 COME-00 DODE-00 DOTE-00
EB-07 EPA-04 ERDA-07 FEAE-00 FMC-02 TRSE-00 H-02
INR-07 INT-05 JUSE-00 L-03 NSAE-00 NSC-05 NSF-02
OES-07 OMB-01 PA-02 PM-04 PRS-01 SP-02 SS-15
USIA-15 /201 W

-----081847Z 118199 /43

R 081538Z JUN 77

FM USMISSION USUN NEW YORK

TO SECSTATE WASHDC 3926

UNCLAS SECTION 1 OF 2 USUN 1805

DEPT PASS ALL DIPLOMATIC POSTS

FROM US DEL LOS

E.O. 11652: N/A

TAGS: PLOS

SUBJECT: LOS CONFERENCE--WEEKLY REPORT, WEEK OF

MAY 31-JUNE 3, 1977

1. SUMMARY: DURING THE SECOND WEEK OF CONFERENCE, WORK WAS CENTERED IN THE INFORMAL WORKING GROUP SET UP BY CHAIRMAN ENGO IN COMMITTEE I, UNDER NORWEGIAN MINISTER EVENSEN. DISCUSSION OF THE SYSTEM OF EXPLOITATION REVEALED CONSIDERABLE MODERATE SUPPORT FOR A PARALLEL OR DUAL SYSTEM. U.S. DELIVERED MAJOR STATEMENT AT END OF WEEK ON FINANCIAL ARRANGEMENTS, INCLUDING FINANCING OF THE ENTERPRISE, WHICH WAS WELL RECEIVED. MEETINGS OF THE "GROUP OF 21" ON THE COMMITTEE II LL/GDS PROBLEM WERE HELD. US CONTINUES, IN PRIVATE CONVERSATIONS, TO MAKE CLEAR NECESSITY OF CHANGE IN TEXTS ON STATUS OF THE ECONOMIC ZONE
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AND SCIENTIFIC RESEARCH. END SUMMARY.

2. COMMITTEE I: A. GENERAL BY THE END OF THE WEEK, EVENSEN WAS CONVENING THREE SESSIONS A DAY IN ORDER TO CONCLUDE DEBATE ON KEY ELEMENTS OF THE SEABED REGIME BEFORE SUBMITTING A REVISED COMPROMISE TO CHAIRMAN ENGO DURING THE WEEK OF JUNE 6.

B. SYSTEM OF EXPLOITATION ARTICLE 22, 23, ANNEX I
DISCUSSION CENTERED ON THE PARALLEL SYSTEM AS
OUTLINED BY THE EVENSEN TEXTS. THE US, FRG,
FRANCE, THE UK, AND JAPAN INTERVENED IN THE COURSE OF
DEBATE ON ARTICLE 22 TO STRONGLY ENDORSE THE PARALLEL
SYSTEM AND PROPOSE CHANGES TO THE EVENSEN TEXT WHICH
WOULD STRENGTHEN THE CONCEPT OF ASSURED NON-DISCRIMI-
NATORY ACCESS TO THE SEABED FOR STATE-SPONSORED
MINERS. AT LEAST PROCEDURALLY, THE USSR SEEMED WELL
DISPOSED TO THE EVENSEN TEXT. SOME COUNTRIES CONTINUED
TO URGE A UNITARY SYSTEM, THERE WAS INCONCLUSIVE
DISCUSSION, INITIATED BY MEXICO, OF THE QUESTION OF A
POTENTIAL RELATIONSHIP BETWEEN THE ENTERPRISE AND THE
CONTRACTOR WITH RESPECT TO THE NON-RESERVED SITE.

C. FINANCING THE ENTERPRISE AND REVENUE SHARING
ON JUNE 3, US (RICHARDSON) DELIVERED A LENGTHY
STATEMENT ON FINANCING, DEALING WITH BOTH ENTERPRISE
START-UP AND REVENUE SHARING. HE REITERATED US INSIS-
TENCE ON ASSURED ACCESS FOR STATE-SPONSORED PARTIES AND A
REGIME THAT DOES NOT DISCOURAGE SEABED PROVISIONS.
HE CHIDED THE GROUP FOR SEEMING TO FOCUS ON "HOW BEST
TO DESIGN A SYSTEM FOR NON-EXPLOITATION". CONTINUING,
HE REGRETTED THE TENDENCY TO BE "MORE CONSERVATIVE IN
OUR PROTECTIONISM THEN CREATIVE IN OUR QUEST; OFTEN,
MORE HESITANT FOR OUR FEAR THAN CONFIDENT IN
OUR HOPE." ON REVENUE SHARING, RICHARDSON SUGGESTED
MINIMIZING FRONT END FEES, AND ALLOWING EACH STATE-
SPONSORED OPERATOR TO SELECT EITHER PROFIT SHARING
OR ROYALTY PAYMENTS. UNDER THE PROFIT SHARING FORMULA,
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THE AUTHORITY WOULD RECEIVE 15-50 PERCENT OF NET PROCEEDS,
DEPENDING ON THE OPERATOR'S STATE RATE OF RETURN.
THE ROYALTY WOULD APPLY TO THE IMPUTED VALUE OF MINED
NODULES, SPECIFIED AS ONE-FIFTH THE GROSS FAIR MARKET
VALUE OF THE PROCESSED FOR THE FIRST TEN YEARS OF
COMMERCIAL PRODUCTION, RISING TO 50 PERCENT THEREAFTER. RICHAR-
DSON ESTIMATED THAT EITHER PAYMENT SYSTEM WOULD RESULT IN
REVENUES TO THE AUTHORITY OF \$5-10 MILLION PER SITE IN
THE EARLY YEARS OF COMMERCIAL PRODUCTION, AND
\$25-35 MILLION IN LATER YEARS.
REVENUE SHARING IN THE EARLY YEARS WOULD BE IN-
SUFFICIENT TO FINANCE THE START-UP OF THE ENTERPRISE,
HE SAID, THUS REQUIRING A SUPPLEMENTAL SYSTEM OF
GOVERNMENT-BACKED DEBT. THE GOVERNMENT GUARANTEES
WOULD BE APPORTIONED AMONG MEMBER STATES ACCORDING
TO THE UN SCALE OF ASSESSMENTS, AND COULD INCLUDE-
A REQUIREMENT FOR EACH STATE TO ADVANCE UP TO 10 PERCENT OF
ITS CONTINGENT LIABILITY ON A REFUNDABLE BASIS. THE
\$500-700 MILLION FINANCING PROGRAM WOULD COVER THE

COSTS OF THE INITIAL SITE, BUT IF THE ENTERPRISE SEEKS
TO FORM SEVERAL JOINT VENTURES WITH CONTRACTORS, THE
GUARANTEES MIGHT BE APPORTIONED OVER SEVERAL SITES,
RICHARDSON SAID.

INDIA FOLLOWED THE US WITH ITS OWN REVENUE
SHARING PROPOSAL, THE TERMS OF WHICH PLACE A FAR
HEAVIER BURDEN ON STATE CONTRACTORS.

NOTE BY OC/T: NOT PASSED ALL DIPLOMATIC POSTS.

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FM USMISSION USUN NEW YORK
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UNCLAS SECTION 2 OF 2 USUN 1805

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FROM US DEL LOS

THE APPLICANT WOULD APY:
--APPLICATION FEE OF \$100,000;
--MINING RIGHT CHARGE: \$1 PER TON OF DRY
NODULES ALLOWED TO BE RECOVERED, DEPOSITED WITHIN
ONE MONTH AFTER AWARDED CONTRACT (APPROX. \$60
MILLION);
--TAX AT THE RATE OF 20 PERCENT OF GROSS SALES FROM PROCESSED
METALS;
--ROYALTY AT RATE OF \$5 PER TON OF DRY NODULES MINED;
--AFTER CONTRACTOR'S TOTAL RETURN IS
200 PERCENT OF CAPITAL INVESTMENT, FUTURE NET PROCEEDS
WOULD BE DIVIDED; 60 PERCENT TO AUTHORITY AND
40 PERCENT TO CONTRACTOR.

3. COMMITTEE II: COMMITTEE II DID NOT REPEAT NOT MEET THIS PAST WEEK, BUT INFORMAL COMMUNICATIONS TOOK PLACE ON SEVERAL ISSUES, INCLUDING THE HIGH UNCLASSIFIED

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SEAS STATUS OF THE EEZ, RIGHTS OF LL/GDS TO EXPLOIT LIVING RESOURCES IN THE EEZ OF THEIR NEIGHBORS/ REGION, AND DEFINING THE CONTINENTAL SHELF WHERE IT EXTENDS BEYOND 200 MILES, COUPLED WITH REVENUE SHARING. THERE ARE SIGNS THAT INCREASED NUMBER OF STATES RECOGNIZE NECESSITY TO MODIFY ARTICLE 75, WHICH INCORRECTLY EXCLUDES THE ECONOMIC ZONE FROM THE HIGH SEAS.

4. COMMITTEE III: CHAIRMAN YANKOV (BULGARIA) ARRIVED AND INDICATED A DESIRE TO BEGIN INFORMAL WORK IMMEDIATELY. JOSE VALLARTA (MEXICO) WILL CHAIR INFORMAL SESSIONS ON POLLUTION WHILE YANKOV HIMSELF WILL CHAIR CONSULTATIONS ON MARINE SCIENTIFIC RESEARCH. IN GENERAL, MOST DELEGATIONS SEEM SATISFIED WITH MARINE POLLUTION TEXT, BUT WILLING TO TRY TO IMPROVE AND CLEAN UP TEXT. ON SCIENTIFIC RESEARCH, THERE IS GROWING RECOGNITION OF NEED FOR CHANGE IN ARTICLE 60 OF PART III, WHICH PRESENTLY ESTABLISHES OVERLY BROAD REQUIREMENTS FOR COASTAL STATE CONSENT FOR SCIENTIFIC RESEARCH IN THE ECONOMIC ZONE.

5. PART IV -DISPUTE SETTLEMENT: THE INFORMAL PLENARY MEETINGS ON DISPUTE SETTLEMENT WILL COMMENCE MONDAY, JUNE 6. THE GROUP OF 77 CONTACT GROUP CONTINUED TO MEET ON THE ISSUES.
YOUNG

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Message Attributes

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Disposition Approved on Date:
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Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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